

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Capital Area Human Services District
Department of Health and Hospitals
State of Louisiana
Baton Rouge, Louisiana**

March 28, 2001



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**CAPITAL AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Procedural Report
Dated March 16, 2001**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

March 28, 2001



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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March 16, 2001

**CAPITAL AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Capital Area Human Services District. Our procedures included (1) a review of the district's internal control; (2) tests of financial transactions for the years ended June 30, 2000, and June 30, 2001; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ended June 30, 2000, and June 30, 2001; and (4) a review of compliance with the prior year report recommendation. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected district personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Capital Area Human Services District were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The district's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior report on the Capital Area Human Services District, dated January 24, 1999, we reported a finding relating to noncompliance with movable property regulations. That finding has been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Movable Property Items Not Accounted
for and Safeguarded**

The Capital Area Human Services District did not adequately account for and safeguard certain movable property as prescribed by state regulations. Louisiana Administrative Code 34:VII.305(G) requires that the agency property manager submit to the Louisiana Property Assistance Agency a request for disposition (BF-11 form) for each idle or surplus item within the agency within the week it becomes known or identified. Furthermore, good internal control requires that adequate procedures be in place to ensure that movable property is properly safeguarded against loss or theft.

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CAPITAL AREA HUMAN SERVICES DISTRICT DEPARTMENT OF HEALTH AND HOSPITALS STATE OF LOUISIANA

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A review of the Capital Area Human Services District-Administration Office's Certification of Annual Property Inventory disclosed that movable property items totaling \$20,435 could not be located during the annual inventory conducted in July 2000. These items included seven computers with acquisition costs totaling \$17,752 that were placed in a storage room on an unknown date without the district completing the required BF-11 forms. The loss was not discovered until the annual inventory was conducted, and the district did not investigate to determine how or when the loss occurred.

District employees did not follow established procedures for reporting idle or surplus property to the Louisiana Property Assistance Agency. Failure to establish adequate controls to safeguard movable property and to comply with state property regulations increases the risk that items could be lost or stolen.

Management should establish procedures to ensure that movable property regulations are followed and that property is adequately safeguarded against loss or theft. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, page 1).

Noncompliance With Cash Management Improvement Act Agreement

The Capital Area Human Services District did not comply with the Cash Management Improvement Act Treasury-State Agreement (CMIA-TSA). The CMIA prescribes rules and procedures for timing the transfer of federal funds to states so that the amount of federal funds on hand is reduced to a minimum. At the same time, the timely transfer of federal funds allows states to minimize the use of state funds to finance federal expenditures before the federal funds are received.

The district administers a program financed through the federal program titled "Block Grants for Prevention and Treatment of Substance Abuse" (SAPT, CFDA 93.959). Requests for reimbursement are made to the Louisiana Department of Health and Hospitals (DHH), which is responsible for drawing federal funds for the district. A review of the CMIA-TSA revealed that the district, through DHH, should have drawn federal funds using the actual clearance funding technique. This technique requires the district/DHH to request federal funds so that the federal agency deposits the funds in a state account on the same day as requested. The request amount shall be the amount of funds that clear the state's account on that day. However, neither the district nor DHH realized that the district was subject to the CMIA-TSA, so draws were usually performed on a monthly basis.

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**CAPITAL AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

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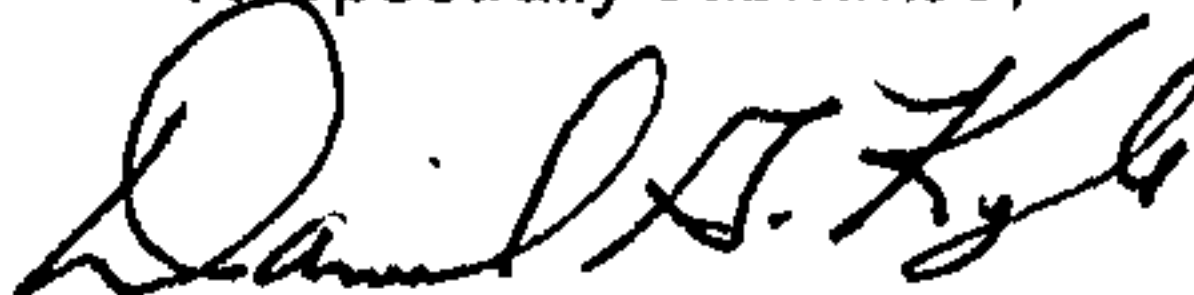
Failure to comply with the CMIA-TSA caused the state to needlessly use state funds to finance SAPT expenses. Federal funds were available and could have been drawn to finance those expenses, leaving the state's funds free to earn interest or to be used for other purposes.

The Capital Area Human Services District should consult with DHH to establish procedures to ensure compliance with the CMIA-TSA. Management concurred with the finding and recommendation and outlined a corrective action plan. However, management indicated that DHH experienced delays in receiving federal funds when federal grant awards were delayed at various times during the year (see Appendix A, page 2).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the district. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the district should be considered in reaching decisions on courses of action. Findings relating to the district's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended for the information and use of the district and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

SC:EFS:DSP:ss

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

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February 12, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

We have reviewed your finding on the Capital Area Human Services District's *Movable Property Items Not Accounted for and Safeguarded* for our Administrative Office's Certification and concur with the finding.

The employee responsible for the performance of the Administrative Office's Certification of Annual Inventory has received a written reprimand with regard to her timely and proper performance of property control management, has been trained in the proper performance of an annual inventory and has been made aware of the seriousness with which the District regards the proper performance of this assignment. This employee's performance shall be monitored closely over future years to ensure compliance.

The District currently has two policies in place to assist in safeguarding movable property. *The Bonds and Crimes Loss Prevention Procedure* which is a part of the *District's Safety Plan* and District Policy #204-98 Moveable Property Control. The Bonds and Crimes policy has been updated to include the responsibility of each employee in the use and safeguarding of state owned property. The Moveable Property Control policy dictates requirement and assignment of functions and will be further updated to establish clear lines of responsibility and to coincide with the Bonds and Crimes Loss Prevention Procedure. All employees will be issued copies of these policies with specific instruction to read and familiar themselves with their responsibilities as employees of the District.

Each Property Control Manager will be trained on the proper interpretation of these two policies and the Louisiana State Property Control Regulations prior to March 30, 2001.

All District employees shall be expected to adhere to the above policies and appropriate actions (as outlined in policy) shall be taken for non-compliance.

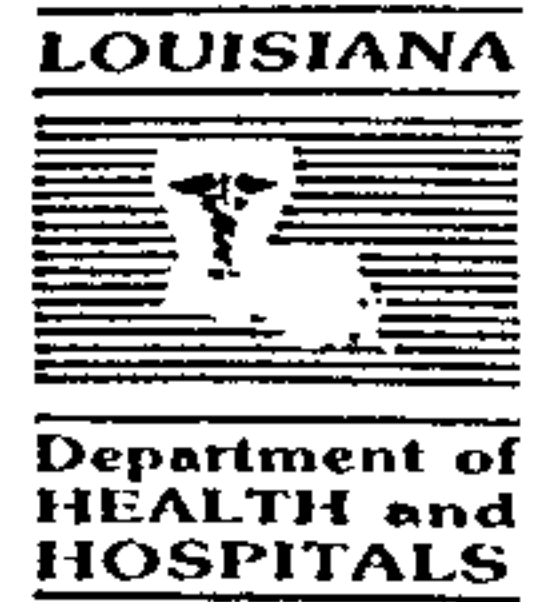
The Administrative Services Director, Carol Gross, shall be the contact person responsible for ensuring that the above corrective action plan is enforced. The anticipated completion date for the above is March 30, 2001 with on-going staff training and compliance monitoring as required.

Sincerely,

Jan Kasofsky, PhD.
Executive Director



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M. J. "Mike" Foster, Jr.
GOVERNOR

David W. Hood
SECRETARY

February 12, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

We have reviewed your finding on the Capital Area Human Services District Non Compliance with Cash Management Improvement Act(CMIA) Agreement and concur with the finding to the extent that we should have drawn down federal funds in accordance with the Treasury State Agreement. However, we do not believe that the state needlessly used state funds to finance the SAPT expenses.

The intent of the CMIA amendment on the use actual clearance funding was to allow us to draw SAPT grant funds to be deposited in the state account on the same day that the Office of Addictive Disorders(OAD) transferred the funds to the district. We did not realize that the amendment actually approved would treat the district as a sub-recipient and require them to request funds from OAD using this methodology.

Federal funds were not always available to OAD due to delays in obtaining grant awards. OAD experienced cash flow problems throughout the year, and had to request a seed of \$3,000,000 in order to make payments at the end of the year.

We have submitted an amendment to the Office of Statewide Reporting and Accounting Policy to change the draw down methodology for the district. If this amendment is approved, we will use the Actual and Adjusted Estimate Clearance Pattern for administrative costs and the Average Clearance for payroll. We will continue to use Actual Clearance for the transfers from OAD.

Should you have any questions concerning this corrective action, please contact Ken Corkern at 342-4379.

Sincerely,

Stan Mead
Director

c: Jan Kasofsky, Executive Director
Capital Area Human Services District